

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7167

BILL NUMBER: HB 1322

NOTE PREPARED: Mar 26, 2013

BILL AMENDED: Feb 14, 2013

SUBJECT: Certificates of Insurance.

FIRST AUTHOR: Rep. Lehman

FIRST SPONSOR: Sen. Holdman

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill specifies requirements related to a certificate of insurance issued in connection with property, operations, or risks located in Indiana.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Review of Certificates of Insurance:* The Department of Insurance (DOI) does not currently review certificates of insurance because they are not part of an insurance contract. This bill will increase the workload of the DOI to inspect and approve certificates of insurance as well as take enforcement actions against individuals who violate provisions of the bill regulating certificates of insurance. The DOI reports the provisions of the bill can be accomplished with existing staff and resources.

(Revised) *Unfair and Deceptive Act:* The bill also creates a new unfair and deceptive act relating to use of a certificate of insurance in an unfair, misleading, or deceptive manner. These unfair and deceptive acts would be actionable by either the Department of Insurance (if the offense is committed by an insurance provider) or the Department of Financial Institutions (if the offense is committed by a financial institution).

To the extent insurance providers and financial institutions are found to have engaged in unfair and deceptive acts, this bill could increase workload of the Department of Insurance and/or the Department of Financial Institutions to investigate allegations and provide adjudicative proceedings to determine if an unfair or deceptive act has been committed. Increases in workload are indeterminable.

Explanation of State Revenues: *Penalty Provision:* Under the bill, the DOI would be able to assess a

maximum \$1,000 civil penalty against individuals who violate provisions of the bill regulating certificates of insurance. Revenue collected would be deposited in the DOI Fund. This bill could increase revenue to the DOI Fund to the extent the DOI determines an individual has violated these regulations for certificates of insurance. Actual increases are unknown.

(Revised) *Unfair and Deceptive Act*: If this bill increases the number of unfair and deceptive acts discovered by the Department of Insurance or Department of Financial Institutions, revenue to the General Fund will increase from civil penalties paid by violators. The penalty for engaging in an unfair and deceptive act is one or more of the following: (1) a civil penalty between \$25,000 and \$50,000 for each act or violation and (2) revocation of a person's license or certificate of authority if they knowingly engaged in an unfair or deceptive act. Actual increases in revenue are unknown.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOI; Department of Financial Institutions.

Local Agencies Affected:

Information Sources: Logan Harrison, DOI; National Conference of Insurance Legislators.

Fiscal Analyst: Bill Brumbach, 232-9559.